

JAMES BRUCE
ATTORNEY AT LAW

POST OFFICE BOX 1056
SANTA FE, NEW MEXICO 87504

369 MONTEZUMA, NO. 213
SANTA FE, NEW MEXICO 87501

(505) 982-2043 (Phone)
(505) 660-6612 (Cell)
(505) 982-2151 (Fax)

jamesbruc@aol.com

2006 JAN 3 PM 5 55

January 3, 2006

Case 13641

Florene Davidson
Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

Dear Florene:

Enclosed for filing, on behalf of Magnum Hunter Production, Inc., are an original and one copy of an application for compulsory pooling, together with a proposed advertisement. The advertisement has also been e-mailed to the Division. Please set this matter for the February 2, 2006 Examiner hearing. Thank you.

Very truly yours,


James Bruce

Attorney for Magnum Hunter Production, Inc.

PERSONS BEING POOLED

J.P. Adams, WL 1-6.197
BP America Production Company
501 Westlake Park Boulevard
Houston, Texas 77079

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

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**APPLICATION OF MAGNUM HUNTER
PRODUCTION, INC. FOR COMPULSORY
POOLING, EDDY COUNTY, NEW MEXICO.**

Case No. 13641

APPLICATION

Magnum Hunter Production, Inc. applies for an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the E $\frac{1}{2}$ of Section 15, Township 16 South, Range 30 East, N.M.P.M., Eddy County, New Mexico, and in support thereof, states:

1. Applicant is an interest owner in the E $\frac{1}{2}$ of Section 15, and has the right to drill a well thereon.
2. Applicant proposes to drill its Henshaw 15 Fed. Well No. 1, at an orthodox gas well location in the SE $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 15, to a depth sufficient to test the Morrow formation, and seeks to dedicate the following acreage to the well:
 - (a) the SE $\frac{1}{4}$ SE $\frac{1}{4}$ to form a standard 40 acre oil and spacing and proration unit for any formations and/or pools developed on 40 acre spacing within that vertical extent, including the Henshaw Queen-Grayburg-San Andres Pool;
 - (b) the E $\frac{1}{2}$ SE $\frac{1}{4}$ to form a standard 80 acre oil and spacing and proration unit for any formations and/or pools developed on 80 acre spacing within that vertical extent, including the Undesignated Henshaw-Wolfcamp Pool;
 - (c) the SE $\frac{1}{4}$ to form a standard 160 acre gas spacing and proration unit for any formations and/or pools developed on 160 acre spacing within that vertical extent; and
 - (d) the E $\frac{1}{2}$ to form a standard 320 acre gas spacing and proration unit for any formations and/or pools developed on 320 acre spacing within that vertical extent,

including the Undesignated Henshaw-Atoka Gas Pool and Undesignated Henshaw-Morrow Gas Pool.

3. Applicant has in good faith sought to obtain the voluntary joinder of all other mineral interest owners in the E½ of Section 15 for the purposes set forth herein.

4. Although applicant attempted to obtain voluntary agreements from all mineral interest owners to participate in the drilling of the well or to otherwise commit their interests to the well, certain interest owners have failed or refused to join in dedicating their interests. Therefore, applicant seeks an order pooling all mineral interest owners in the E½ of Section 15, pursuant to NMSA 1978 §70-2-17.

5. The pooling of all mineral interests underlying the E½ of Section 15 will prevent the drilling of unnecessary wells, prevent waste, and protect correlative rights.

WHEREFORE, applicant requests that, after notice and hearing, the Division enter its order:

- A. Pooling all mineral interests in the E½ of Section 15, from the surface to the base of the Morrow formation;
- B. Designating Gruy Petroleum Management Company as operator of the well;
- C. Considering the cost of drilling and completing the well, and allocating the cost among the well's working interest owners;
- D. Approving actual operating charges and costs charged for supervision, together with a provision adjusting the rates pursuant to the COPAS accounting procedure; and
- E. Setting a 200% charge for the risk involved in drilling and completing the well in the event a working interest owner elects not to participate in the well.

Respectfully submitted,

A handwritten signature in cursive script that reads "James Bruce". The signature is written in black ink and is positioned above a horizontal line.

James Bruce
Post Office Box 1056
Santa Fe, New Mexico 87504
(505) 982-2043

Attorney for Magnum Hunter Production, Inc.

PROPOSED ADVERTISEMENT

Case No. 17641: **Application of Magnum Hunter Production, Inc. for compulsory pooling, Eddy County, New Mexico.** Applicant seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the following described acreage in Section 15, Township 16 South, Range 30 East, NMPM, and in the following manner: the E/2 to form a standard 320-acre gas spacing and proration unit for any and all formations or pools developed on 320-acre spacing within that vertical extent, including the Undesignated Henshaw-Atoka Gas Pool and Undesignated Henshaw-Morrow Gas Pool; the SE/4 to form a standard 160-acre gas spacing and proration unit for any and all formations or pools developed on 160-acre spacing within that vertical extent; the E/2SE/4 to form a standard 80-acre oil spacing and proration unit for any and all formations or pools developed on 80-acre spacing within that vertical extent, including the Undesignated Henshaw-Wolfcamp Pool; and the SE/4SE/4 to form a standard 40-acre oil spacing and proration unit for any and all formations or pools developed on 40-acre spacing within that vertical extent, including the Henshaw Queen-Grayburg-San Andres Pool. The unit is to be dedicated to the Henshaw 15 Fed. Well No. 1, to be drilled at an orthodox gas well location in the SE/4SE/4 of Section 15. Also to be considered will be the cost of drilling and completing the well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of Gruy Petroleum Management Company as operator of the well, and a 200% charge for the risk involved in drilling and completing the well. The units are located approximately 7-1/2 miles north-northeast of Loco Hills, New Mexico.

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